

AFRICA RISK CONSULTING

Botswana Monthly Briefing December 2017

Botswana Summary 15 December 2017

Mineral resources, green technology and energy security minister Sadique Kebonang reports extensive job losses in Botswana's mining industry since 2010, mainly due to mine closures. United Kingdom-based De Beers Group will invest in a new platform through which it will track diamonds that it exports from Botswana, Namibia and South Africa. This comes as diamond companies anticipate increased global diamond trade in 2018. National power utility, Botswana Power Corporation (BPC), recruits Zwiolithini Witbooi from South Africa's national power utility, Eskom, as general manager for its renewable generation projects. This signals government commitment to accelerating the development of renewable energy in Botswana. The World Bank Group's International Finance Corporation (IFC) will list a 260m pula (P) (\$25m) bond on the Botswana Stock Exchange (BSE) as part of plans to support pan-African private investments.

Minerals minister reports extensive job losses in mining industry

Mineral resources, green technology and energy security minister **Sadique Kebonang** reported to parliament that **Botswana's** mining industry has experienced a high rate of job losses since 2010, according to media reports on 24 November.¹ The report highlights how falling prices for minerals have forced several mines to close, resulting in the loss of 7,500 jobs since 2010. This concerns the government, given Botswana's low population of two million people.² The economy is greatly dependent on the mining industry, mainly diamonds, which are the largest export earner, but also copper, nickel, gold, soda ash and coal.³ Several mines have closed since 2010:

- **United Kingdom-based Firestone Diamonds' Monak Ventures' BK11 Diamond Mine** closed in 2012 resulting in the loss of 165 jobs;
- **Australia-based Discovery Metals' Boseto** mine closed in December 2014, resulting in the loss of 422 jobs;
- Australia-based **Cradle Arc Plc's Mowana Copper Mine** closed in 2015 with 500 jobs lost;
- **Debswana's Damtshaa Mine** shut down in 2015, but reopened in October 2017; there were no job losses as Debswana – the government's 50-50 joint venture with United Kingdom-based **De Beers Group** – transferred the employees to other operations;
- **Russia-based Norilsk Nickel's Tati** nickel mine closed in October 2016 with 764 jobs lost;

¹ The Southern Times, 24 Nov 2017.

² The Southern Times, 24 Nov 2017.

³ The Southern Times, 24 Nov 2017.

- The government-owned **BCL Mine** closed in October 2016 with 5,134 job losses;
- United Kingdom-based **Gem Diamonds' Ghaghoo Diamond** mine closed in March 2017, with 263 jobs lost;
- Australia-based **Kimberley Diamonds' Lerala** mine closed in April, losing 151 jobs, and the liquidation process is currently in progress.⁴

Kebonang's report thus provided a bleak outlook of Botswana's mining sector, despite the current resurgence across different minerals trading on the global market.⁵

Although Botswana's mining sector will continue to recover in 2018, this is unlikely to result in all mines resuming operations at a high scale, with little chance of increasing employment in the mining sector.⁶ However, higher growth in non-mining economic sectors may create employment opportunities.⁷

De Beers to use Blockchain technology to track diamond exports, as production

De Beers Group announced on 4 December that it will invest in a new platform through which it will track diamonds that it exports from Botswana, **Namibia** and **South Africa**.⁸ This development comes as diamond companies anticipate increased global diamond trade in 2018.⁹ Private companies and governments in **Africa** are looking to **Blockchain** technology to reduce fraud and the cost of recordkeeping.¹⁰ De Beers' CEO, **Bruce Cleaver**, said De Beers will establish a Blockchain-based platform that will improve the company's capacity to trace the diamonds that it sells and provide customers with an accurate account of the diamond's journey.¹¹ Blockchain creates a tamper-proof record of every transaction and information exchange.¹² The new technology will consist of a highly secure digital register that creates a permanent record of each diamond's interactions along the value chain, until it reaches the customer.¹³

*"Apart from the need to improve security, De Beers' security upgrades may also be related to the on-going resurgence in the global diamond trade. De Beers has particularly experienced declining profits since the global commodity price slump in 2014, and thus its investment into a new, high-tech security measure is indicative of the global diamond trade's profitability."*¹⁴

Diamond mining companies are currently making preparations for increased diamond demand in 2018. **Canada**-based diamond mining company **Lucara Diamond Corp.** announced on 30 November that it forecasts increased production levels at its flagship **Karowe** mine in Botswana.¹⁵ In a statement to shareholders, Lucara CEO **William**

⁴ The Southern Times, 24 Nov 2017.

⁵ Mmegi, 22 Nov 2017.

⁶ Source, analyst.

⁷ Source, analyst.

⁸ Financial Times, 4 Dec 2017.

⁹ Financial Times, 4 Dec 2017.

¹⁰ Financial Times, 4 Dec 2017.

¹¹ Financial Times, 4 Dec 2017.

¹² Financial Times, 4 Dec 2017.

¹³ Financial Times, 4 Dec 2017.

¹⁴ Financial Times, 4 Dec 2017.

¹⁵ Engineering News, 30 Nov 2017.

Lamb said Lucara expects to process between 2.4 million and 2.7 million tonnes of ore, and produce between 270,000 carats (ct) and 290,000 ct of diamonds in 2018.¹⁶ The forecast for the 2017 financial year was 1.4 million to 1.6 million tonnes.¹⁷ Lucara expects to earn between \$170-200m from diamond sales in 2018.¹⁸ Lucara said it plans to invest \$3m in 2018 on a prefeasibility study at Karowe for potentially developing an underground diamond mine.¹⁹

De Beers' Blockchain technology will help bridge shortcomings in the **Kimberley Process**, the world's only international tracking process that aims to stem global trade in conflict diamonds and money laundering through diamonds.²⁰ De Beers mainly sells its diamonds to authorised buyers through a series of diamond sights in **Gaborone, Windhoek** and **Johannesburg**.²¹ The Kimberley Process, established in 2003, requires that diamond exporters seal the diamonds in containers accompanied by certificates indicating that they are conflict-free, but critics say this fails to stop money laundering through diamonds and the funding of conflicts through the precious minerals.²² Non-governmental organisation (NGO) **Partnership Africa Canada** released a report in December 2016 alleging that illicit diamond flows from the **Central Africa Republic (CAR)** to **Cameroon** were partly responsible for funding conflict in the CAR, which began in 2013.²³ The flow of diamonds from CAR to global markets has continued since then, despite the Kimberley Process's ban on diamond trade from the CAR in May 2013.²⁴

BPC recruits former Eskom expert to drive solar power projects

The national power utility, **Botswana Power Corporation (BPC)**, has recruited **Zwilitini Witbooi** from South Africa's national power utility, **Eskom**, as general manager for its renewable generation projects, according to media reports on 22 November.²⁵ The position is critical to the accomplishment of BPC's solar power projects, and signals the government's commitment to accelerating the development of renewable energy in Botswana.²⁶ The government also signed the **Paris Agreement**, in terms of which it must increase its use of renewable energy by 25% within the next seven years.²⁷ The government also pledged to reduce carbon dioxide emissions to zero by 2036.²⁸ This dovetails with the government's **Vision 2036**, which will see 50% of Botswana's electricity being derived from renewable energy sources by 2036.²⁹

¹⁶ Engineering News, 30 Nov 2017.

¹⁷ Engineering News, 30 Nov 2017.

¹⁸ Engineering News, 30 Nov 2017.

¹⁹ Engineering News, 30 Nov 2017.

²⁰ Financial Times, 4 Dec 2017.

²¹ Financial Times, 4 Dec 2017.

²² Financial Times, 4 Dec 2017.

²³ Mining.com, 2 Dec 2016.

²⁴ Mining.com, 2 Dec 2016.

²⁵ Mmegi, 22 Nov 2017.

²⁶ Mmegi, 22 Nov 2017.

²⁷ Mmegi, 22 Nov 2017.

²⁸ Mmegi, 22 Nov 2017.

²⁹ Mmegi, 22 Nov 2017.

Currently, Botswana's domestic electricity generation comes from coal-fired power plants, mainly the **Morupule A and B** plants.³⁰

"The BPC's appointment of Witbooi signals its commitment to actualise the government's objectives of sustainable domestic generation of electricity, and transition from fossil-fuel generated electricity to renewable energy. Botswana's climate is conducive for sustainable solar power generation, because more than half of its total land mass is desertified. The BPC strategy will likely entail directing the bulk of the newly installed solar power to household consumption, and redirect the fossil-fuel generated power towards large scale industry, with high demand, such as mining."³¹

The BPC said it had recruited Witbooi to lead the renewable energy initiatives because of his work experience in similar projects.³² Witbooi will lead the BPC's goal of increasing solar power generation to represent 50% of Botswana's national electricity supply.³³ The BPC also indicated that it would apply for \$200m funding from the **United Nations' Climate Change Fund** in 2018, which will finance the establishment of solar power plants.³⁴ The plan will mainly entail the construction of a 100-megawatt solar power plant, and 1 megawatt-solar power plants in remote rural areas that are far from the BPC's existing power infrastructure.³⁵ This large-scale development of renewable development is a significant milestone for Botswana and **Southern Africa**.³⁶ In addition to developing sustainable and locally generated electrical power, the project will support the government's drive to expand industry.³⁷

IFC issues P260m bond on Botswana Stock Exchange

The **World Bank Group's International Finance Corporation (IFC)**, has announced plans to list a 260m pula (P) (\$25m) bond on the **Botswana Stock Exchange (BSE)** in December, as part of plans to support pan-**African** private investments, according to media reports on 8 December.³⁸ The listing is part of the IFC's programmes to facilitate the financing, establishment, improvement, and expansion of private sector enterprises by making investments in countries where private capital is otherwise unavailable on reasonable terms.³⁹ The IFC announced its investment after convening a workshop in Gaborone, with Botswana-based business executives, government officials and regulators, development partners and civil society activists to discuss new approaches to increase investment into the economy.⁴⁰ The discussion focused on key areas of the economy such as financial markets, infrastructure, mining, manufacturing, and agri-business.⁴¹

³⁰ Mmegi, 22 Nov 2017.

³¹ Source, analyst, London

³² Mmegi, 22 Nov 2017.

³³ Mmegi, 22 Nov 2017.

³⁴ Mmegi, 22 Nov 2017.

³⁵ Mmegi, 22 Nov 2017.

³⁶ Source, analyst, London

³⁷ Source, analyst, London

³⁸ Reuters, 13 Dec 2017.

³⁹ Reuters, 13 Dec 2017.

⁴⁰ Reuters, 13 Dec 2017.

⁴¹ Reuters, 13 Dec 2017.

“Apart from providing a significant amount of capital investment into Botswana’s economy, the bond also signals the World Bank’s confidence in Botswana’s economy, and its politics. This will likely encourage other investors to follow its example and invest in other sectors of the country’s economy, apart from mining, which has been the mainstay of Botswana’s economy since independence.”⁴²

This will be the first time a multilateral institution has listed on the BSE, and aims to bring together local and foreign private capital and management to create conditions that facilitate the flow of private capital into Botswana.⁴³ The new capital will contribute to the ongoing efforts to diversify Botswana’s economy away from the mining sector, which employs the large majority of Botswana’s workforce (see above).⁴⁴ The World Bank’s country representative for Botswana, **Xavier Furtado**, indicated that the bank prioritises the private sector because it regards it as the primary actor in boosting shared economic benefits and reducing extreme poverty.⁴⁵

Planner

Jan 2018 **Gaborone (Botswana)** **United States**-based international hotel chain **Hilton** to open new hotels in Gaborone in the first quarter of 2018;

Jan 2018 **Gaborone (Botswana)** The government will launch a **National Disaster Command Centre** to improve Botswana’s preparedness to deal with natural disasters such as drought;

9-11 Apr 2018 **Gaborone (Botswana)** Mining Investment Botswana strategic mining conference;

2019 **(Botswana)** Scheduled general elections;

Chronology

14 Dec 2017 **Gaborone (Botswana)** President **Ian Khama** begins a series of farewell rallies countrywide, as he prepares to step down on 1 April 2018;

12 Dec 2017 **Gaborone (Botswana)** *Reuters* Botswana’s national budget has recorded a cumulative surplus of P100 million (\$10m) midway through the 2017/18 fiscal year, but will still record a full year deficit;

8 Dec 2017 **Gaborone (Botswana)** *Mmegi* The **World Bank’s International Finance Corporation (IFC)** will list \$25m in the **Botswana Stock Exchange (BSE)** to boost the availability of capital in Botswana’s economy;

6 Dec 2017 **Gaborone (Botswana)** **Vivo Energy** excludes Botswana from a deal to take over South Africa-based **Engen’s** operations in nine **African** countries;

6 Dec 2017 **Gaborone (Botswana)** *Daily News* The land management, water and sanitation service ministry launches the **Botswana Water Security and Efficiency Project** to improve water supply and management;

⁴² Source, analyst.

⁴³ Mmegi, 8 Dec 2017.

⁴⁴ Source, analyst.

⁴⁵ Mmegi, 8 Dec 2017

4 Dec 2017 Gaborone (**Botswana**) *Financial Times* **De Beers** will introduce **Blockchain** technology to track its diamond exports and curb trade in conflict diamonds;

3 Dec 2017 **Gaborone (Botswana)** *The Standard* Botswana's government denies deporting former **Zimbabwean** vice president, **Phelekezela Mpoke** from Gaborone;

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